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**COUNTY AUDIT**

**Sumner County  
Regional Airport Authority  
Audited Financial Statements  
June 30, 2008**

**Sumner County  
Regional Airport Authority  
June 30, 2008**

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**Sumner County  
Regional Airport Authority  
1475 Airport Rd.  
Gallatin, Tennessee 37066  
June 30, 2008**

**To the Members of the Authority**

The financial statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2008 are hereby submitted to the Authority Board and all others interested in the financial condition of the Authority. This report is published in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A which can be found immediately following the report of the independent auditor.

Dr. Wayne Hooper, Jr.  
Treasurer

Steve Sudbury  
Airport Administrator

**Sumner County Regional Airport Authority  
Roster of Board Members and Officials**

**Officers**

David Hunter	Chairman
Dr. Tom Graves	Vice-Chairman
Sue McPherson	Secretary
Dr. Wayne Hooper	Treasurer

**Board of Commissioners**

David Blankenship	Richard Coker
Jerry Kirby	Charles Moore
William Sudekum	Lynn Williams

**Other Officials**

Steve Sudbury	Airport Administrator
Jet Harbor, Inc.	Fixed – Base Operator

**Carl A. Davis & Company**  
**Certified Public Accountants**  
131 Maple Row Boulevard  
Suite A100  
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Commissioners  
Sumner County Regional Airport Authority  
Gallatin, Tennessee

We have audited the accompanying financial statements of the Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2008, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Board of Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

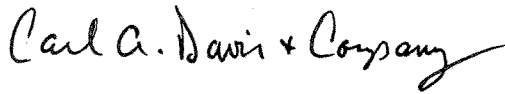
In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2008, on our consideration of the Sumner County Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control

Independent Auditors Report

Page two

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 thru 9 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Carl A. Davis & Company".

Carl A. Davis & Company, CPAs  
Hendersonville, Tennessee  
October 22, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (the "MD&A") of the Sumner County Regional Airport Authority provides an introduction to the major activities affecting the operations of the airport and an introduction and overview to the financial performance and statements of the Sumner County Regional Airport Authority (the "Authority") for the fiscal year ended June 30, 2008.

Following the MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

### **Financial Statements**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board, (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In 1999, the GASB issued GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 is effective in three phases. The phases are based on the total annual revenues of the primary government's governmental and enterprise funds. Sumner County has been classified as a Phase 2 government and was required to implement GASB Statement No. 34 as of July 1, 2002. A component unit is required to implement GASB Statement No. 34 no later than the same year as its primary government. In accordance with this requirement, the Authority has implemented this Statement as of July 1, 2002.

### **Airport Activities & Highlights**

The airport has one terminal building, sixty-four hangers, and one corporate hanger starting construction. It leases one of those hangers to the Fixed Based Operator (FBO) for maintenance. Twenty-three hangers are port-a-ports which are privately owned, and a ground lease is paid to the airport. The airport authority has thirty T hangers rented monthly. Ten hangers are privately owned corporate hangers which pay ground rent. At the end of their respective thirty-year lease terms, the ownership of the hangers will revert to the county.

The Authority is currently involved in planning a major expansion of airport facilities, including an extension of the runway to 6,300 feet and the addition of additional hangar space. The Authority has secured a contract to buy additional land around the present facility to accommodate the growth, relocate roads, and provide space for other future initiatives.

## Summary of Operations and Changes in Net Assets

### Operations

Operating income decreased approximately 15% in the current as a result of reduced participation by hangar tenants on maintenance and improvements. The decrease in total revenues from 2007 is primarily attributable to a reduction in state grant funds received during the year. The Authority also received less from Sumner County and the City of Gallatin.

The Authority received grant funds of \$69,026 from the State of Tennessee which were used to complete runway repairs and to a new fuel farm. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. At June 30, 2008, there were no active construction projects.

Operating Expenses were approximately 21% higher than last year. Increases were primarily in legal fees and management expenses and offset moderately by reductions in various other expense categories.

Below is a summary of the Authority's results of operations and changes in net assets for the years ended June 30, 2008 and 2007:

	2008	2007
Operating Revenues	\$155,249	\$182,430
Operating Expenses	126,644	104,974
Profit (loss) before depreciation and non-operating revenue	28,605	77,456
Depreciation	193,787	164,971
Loss before non-operating revenue	(165,182)	(87,515)
Non-operating Revenue, net	88,897	334,540
<b>Increase (Decrease) in Net Assets</b>	<b>(\$76,285)</b>	<b>\$247,025</b>

### Net Assets

The largest portion of the Authority's net assets (93% for the year ended June 30, 2008) represents its investment in capital assets (e.g., buildings, improvements and equipment). The Authority uses these capital assets to provide services to the pilots and other users at the Airport; consequently, these assets are not available for future spending. The remaining unrestricted net assets may be used to meet any of the Authority's ongoing obligations.

The following is a summary of the Authority's assets, liabilities and net assets at June 30, 2008 and 2007:



	2008	2007
<b>ASSETS:</b>		
Current and other assets	\$435,546	\$343,821
Capital assets	3,119,962	3,295,509
<b>Total assets</b>	<b>3,555,508</b>	<b>3,639,330</b>
<b>LIABILITIES:</b>		
Accounts Payable and Other Liabilities	12,508	20,044
<b>Total liabilities</b>	<b>12,508</b>	<b>20,044</b>
<b>NET ASSETS:</b>		
Invested in capital assets	3,119,962	3,295,509
Unrestricted	423,038	499,323
<b>Total Net Assets</b>	<b>3,543,000</b>	<b>3,619,286</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$3,555,508</b>	<b>\$3,639,329</b>

### Request for Information

These financial statements are designed to provide detail information on the Authority's operations and to all those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to Dr. Wayne Hooper, Jr., Treasurer, or Steve Sudbury, Airport Administrator.

Sumner County Regional Airport Authority  
Statement of Net Assets  
June 30, 2008

**Assets**

Current Assets

Cash	\$ 122,538
Grant funds receivable	8,500
Deposits with State	292,953
Prepaid expenses	<u>11,555</u>

Total Current Assets	<u>435,546</u>
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Non-current Assets

Capital assets, net of accumulated depreciation	<u>3,119,962</u>
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Total Non-current Assets	<u>3,119,962</u>
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<b>Total Assets</b>	<b><u>\$ 3,555,508</u></b>
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**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$ 10,393
Deferred revenue	<u>2,115</u>

Total Current Liabilities	<u>12,508</u>
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Total Liabilities	<u>12,508</u>
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**Net Assets**

Invested in capital assets	3,119,962
Unrestricted net assets	<u>423,038</u>

Total Net Assets	<u>3,543,000</u>
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<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,555,508</u></b>
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Sumner County Regional Airport Authority  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended June 30, 2008

Operating Revenues	\$ 155,249
Operating Expenses	<u>320,431</u>
Net Income (Loss) From Operating Activities	<u>(165,182)</u>
Non-Operating Revenue	
State funds	69,026
County funds	15,000
Interest Income	<u>4,871</u>
Total Non-Operating Revenue	<u>88,897</u>
Increase (Decrease) in Net Assets	(76,285)
Total Net Assets at June 30, 2007	<u>3,619,285</u>
Total Net Assets at June 30, 2008	<u><u>\$ 3,543,000</u></u>

*See independent auditor's report and notes to financial statements*

**Sumner County Regional Airport Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 155,794
Cash paid to suppliers and employees	<u>(133,582)</u>
Net Cash Provided By (Used in) Operating Activities	<u>22,212</u>
<b>Cash Flows from Investing Activities</b>	
Interest income received	<u>4,871</u>
Net Cash Provided By (Used In) Investing Activities	<u>4,871</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
County Payments	<u>15,000</u>
Net Cash Provided By (Used In) Financing Activities	<u>15,000</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
State grant payments	60,526
Deposits with State	(292,953)
Cash payments for the purchase of capital assets	<u>(18,240)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(250,667)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(208,584)
<b>Cash and Cash Equivalents at June 30, 2007</b>	<u>331,123</u>
<b>Cash and Cash Equivalents at June 30, 2008</b>	<u><u>\$ 122,538</u></u>

See independent auditor's report and notes to financial statements

**Sumner County Regional Airport Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

**Reconciliation of Net Gain to Net Cash Provided by Operating Activities**

Net Loss from Operating Activities	\$ (165,182)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation and amortization	193,787
(Increase) decrease in accounts receivable	545
(Increase) decrease in prepaid expenses	598
Increase (decrease) in accounts payable	(2,792)
Increase (decrease) in other liabilities	<u>(4,744)</u>
Total Adjustments	<u>187,394</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 22,212</u></b>

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2008

**Note 1 – Organization and Reporting Entity**

The Sumner County Regional Airport Authority (the "Authority"), a component unit of Sumner County, Tennessee (the "County") was established in 1981 in accordance with Resolution No. 1181-102 of the Sumner County Commission, pursuant to the Airport Authorities Act as set forth in the Tennessee Code Annotated, 42-3-103. The governing Board of the Authority is selected by the Authority as terms expire and confirmed by the Sumner County Board of County Commissioners. The Authority's eleven member board consists of members who have the requisite aviation background or have a lifetime and/or an education background in the aviation field as well as members who are residents of the community. The Airport Administrator is hired.

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit with the County's general purpose financial statements based on the County's responsibility for the appointment of the Authority members, and their approval of capital programs and certain debt issuances. As a component unit of the County, the Authority's financial statements are discretely presented in the County's general purpose financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (the "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

**Cash, Cash Equivalents and Investments**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. No cash equivalents were held by the Authority as of June 30, 2008.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2008

Per Tennessee statutes, bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured by the FDIC \$100,000 unless the financial institution participates in the State Collateral Pool or pledges collateral for deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes. As of June 30, 2008, the Authority's combined bank account balances exceeded FDIC insured limits by \$22,538. The financial institution does not participate in the State Collateral Pool but has pledged adequate collateral to cover the excess risk.

### **Receivables**

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. The Authority determined an allowance for uncollectible amounts was not needed as of June 30, 2008.

### **Capital Assets**

Capital assets are recorded at historical cost. Subsequent acquisitions of new assets and expenditures which substantially increase the useful lives of existing assets exceeding \$7,500 are recorded at cost. Other acquisitions below this threshold are expensed in the period incurred.

Maintenance and repairs are expensed as incurred. In the future, when properties are disposed of, the related costs and accumulated depreciation will be removed from the respective accounts and any gain or loss on disposition will be credited or charged to an expense. Capital assets will be written off when fully depreciated unless clearly identified as still being in use.

Capital assets are depreciated over their estimated useful lives. Office equipment, computers and fixtures are fully expensed in the year of purchase. The estimated lives by general classification are as follows:

	<u>Years</u>
Buildings .....	30
Building and land improvements .....	10-15
Large equipment and vehicles .....	10
Small equipment and vehicles .....	5

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2008

**Capital Contributions**

Certain expenditures for airport capital improvements are significantly funded through State allocation or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditure is incurred.

Grants for capital asset acquisition, facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

**Revenue**

The Authority provides thirty-nine hangars for pilots who use the Airport facilities and one hangar for the Fixed Base Operator (FBO). Thirty of the hangars were built and are owned by the Authority and eleven of the hangars were built and are owned by private individuals. The Authority leases to the owners the underlying land related to the hangars privately built. The ownership of the eleven hangars built by private individuals will transfer to the Authority at the end of their respective thirty year lease terms. Underlying land leases range from \$40 to \$323 month. Leases on hangars built and owned by the Authority have rents which range from \$145 to \$175 per month for individual hangars and \$500 and \$3,750 per month for the two corporate hangars.

**Deferred Revenue**

The Authority records hangar rent collected in advance of the months in which it is earned as deferred revenue. Deferred revenue was \$2,115 at June 30, 2008.

**Net Assets**

In conformity with GASB Statement No. 34, net assets have been labeled and displayed in three components: "invested in capital assets, net of debt", "restricted" and "unrestricted". As of June 30, 2008, there were no restricted net assets.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.



Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2008

**Note 3 - Contingencies**

The Authority is a defendant in a lawsuit titled Northstar Environmental Group v. Sumner County Regional Airport Authority. The Authority continues to defend this matter and the outcome cannot be determined at this time. However, Authority management and Counsel estimate that should loss occur, it will not exceed \$20,000. This potential loss is reasonably possible and has not been accrued.

**Note 4 – Long Term Debt**

No long term debt was incurred by the Authority for the year ended June 30, 2008.

**Note 5 - State Grants**

During the year ended June 30, 2008, a total of \$69,026 in federal and state grant monies were paid by the State of Tennessee to the Authority. These funds were disbursed for various construction and maintenance projects. The construction is overseen by the State and all expenditures are reviewed for propriety by the State. None of these funds are required to be repaid.

At June 30, 2008, the Authority had placed \$292,953 on deposit with the State of Tennessee for matching portions of future grants that have been awarded to the Authority. These nine grants total \$2,609,528, which is comprised of \$2,316,575 in federal funds with the remainder coming from the matching funds provided by the Authority.

These funds will be returned to the Authority on a pro rata basis as the underlying projects are completed and grant funds are released by the State. No funds had been disbursed at June 30, 2008.

**Note 6 - Airport Management**

The Authority has contracted with Jet Harbor, Inc. to act as Fixed Base Operator for the airport. As FBO, Jet Harbor, engages in flight instruction, aircraft rental, aircraft maintenance, aircraft charter and the sale of fuel and lubricants.

The Authority has contracted with J & S Properties to perform daily management duties for \$2,500 per month. During the year ended June 30, 2008, management expense totaled \$30,200.

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2008

**Note 7 - Budget**

The Authority is not required by law or GASB to utilize a budget and does not do so.

**Note 8 – Fixed Assets**

Non-depreciable assets owned by the Authority consist solely of land recorded at cost. At June 30, 2008, the Authority was committed to the purchase of additional land (see Note 12). Eleven privately built hangars were removed from the airport's fixed assets in previous years. These hangars are leased by private parties on thirty year terms and ownership of the hangars will revert to the Authority at the conclusion of the respective leases.

Depreciation expense for the year ending June 30, 2008 totaled \$193,787.

The following is a summary of the Authority's depreciable and non-depreciable assets as of June 30, 2008:

**Schedule of Depreciable and Non-Depreciable Assets**

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008	Accum. Deprec.	Net Book Value June 30, 2008
<b>Depreciable Assets</b>						
Buildings	\$4,436,182	-	-	\$4,436,182	\$3,012,542	\$1,423,640
Building Improvements	149,471	-	-	149,471	118,156	31,315
Leasehold						
Improvements	1,417,605	-	-	1,417,605	29,053	1,388,552
Equipment	-	286,061	-	286,061	28,606	257,455
Vehicles	11,000	-	-	11,000	11,000	-
<b>Total</b>	<b>6,014,258</b>	<b>286,061</b>	<b>-</b>	<b>6,300,319</b>	<b>3,199,357</b>	<b>3,100,962</b>
<b>Non-Depreciable Assets</b>						
Land	6,500	12,500	-	19,000	-	19,000
Construction in Progress	280,321	5,740	286,061	-	-	-
<b>Total</b>	<b>286,821</b>	<b>18,240</b>	<b>286,061</b>	<b>19,000</b>	<b>-</b>	<b>19,000</b>
<b>Total Assets</b>	<b>3,295,509</b>	<b>\$304,301</b>	<b>\$286,061</b>	<b>\$6,319,319</b>	<b>\$0</b>	<b>\$3,119,962</b>

Sumner County Regional Airport Authority  
Notes to the Financial Statements  
June 30, 2008

**Note 9 – Related Party Transactions**

During the year ended June 30, 2008 the Authority received \$15,000 from Sumner County that was used for improvements and operating expenses. None of this is required to be repaid.

**Note 10 - Risk Financing Activities**

The Authority is exposed to certain risks of loss related to its buildings (hangars), equipment and infrastructure improvements (runways). The Authority is not covered by the Sumner County Self Insurance Plan, but has obtained commercial insurance as required by the "Airport Minimum Standards and Rules and Regulations". The Authority has had no settlements in excess of insurance coverage in the past three years.

**Note 11 - Leases**

The Authority has a 30 year lease for certain privately built hangars whose ownership reverts to the Authority at the end of the lease period. These hangars were removed from fixed assets in previous years. The value of these hangars is estimated at \$1,260,000.

**Note 12 – Commitments**

In December, 2007, the Authority entered into a contract with HP Gallatin, LLC for the purchase of a 24.56 acre tract of land at 1071 Cairo Road in Gallatin. The contract price is \$677,963 plus a \$135 per day surcharge from December 7, 2007 until the date of closing. At June 30, 2008 the Authority had \$12,500 on deposit as earnest money.

Funding for this purchase will be provided through a federal grant in the amount of \$979,000 approved in February 2008. This grant provides funds to facilitate the purchase of a total of 42 acres of land. The Authority had not received any disbursements from this grant at June 30, 2008.

**\*\*\* End of Notes \*\*\***

## Other Reports

**Carl A. Davis & Company  
Certified Public Accountants**

131 Maple Row Boulevard  
Suite A100  
Hendersonville, TN 37075

Phone: 615-822-0231

Fax: 615-822-2220

**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Members of the Board of Commissioners  
Sumner County Regional Airport Authority  
Gallatin, Tennessee

We have audited the financial statements of the Sumner County Regional Airport Authority, a component unit of Sumner County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described as Findings 2008-1 and 2008-2

in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

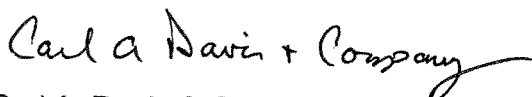
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe Finding 2008-2 of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and others within the organization, the County Commission and federal awarding agencies, pass-through entities and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Carl A. Davis & Company, CPAs  
Hendersonville, Tennessee  
October 22, 2008

**Sumner County Regional Airport Authority  
Schedule of Audit Findings and Responses  
For the Year Ended June 30, 2007**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Sumner County Regional Airport Authority.
2. One material weakness was identified during the audit of the financial statements. There was also one significant deficiency that was not considered a material weakness.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.

**B. Follow-up on Prior Year Audit Findings**

**Finding 2007 – 1**

In response to the prior year finding on segregation of duties, the Authority has furthered strengthened controls by including additional reviews of disbursements and bank statements in monthly board meetings and ensuring the Treasurer reviews bank statements and related reconciliations on a regular basis. However, a finding of segregation of duties cannot be eliminated simply because of the fact that the Authority is not large enough to employ the necessary staff to accomplish full segregation.

**Finding 2007 – 2**

In response to the prior year finding on the lack of an accounting policy regarding matching grant funds, the Authority has adopted a policy recognizing the return of matching grant funds on a pro-rata basis as grant revenue is recognized.

**C. Findings – Financial Statements Audit**

**Finding 2008-1**

Statement of Condition

The Authority has an inadequate segregation of duties.

Criteria

Internal controls should include adequate segregation of duties.

Effect of Condition

The absence of segregation could increase the opportunity to misstate or misuse the Authority's funds.

**Schedule of Audit Findings and Responses (continued)**  
**page two**

Cause of Condition

The size of the Authority's management precludes the ability to segregate the necessary accounting functions.

Recommendation

Management should continue to look for opportunities to increase Board oversight and controls.

Management Response

As noted above, the Authority's Board and Officers have implemented additional measures to improve Board oversight. We continue to believe the current management structure is the best use of the State, County, and customer resources and we will continue to strengthen controls as appropriate.

**Finding 2008-2**

Statement of Condition

The Authority does not have management with the relevant level of expertise to prepare financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP).

Criteria

Recently enacted accounting and auditing requirements place an expectation on the entity to have sufficiently knowledgeable financial expertise as part of management.

Effect of Condition

The lack of internal financial management inhibits financial reporting.

Cause of Condition

The Authority has no employees.

Recommendation

We recommend the Authority implement review procedures to ensure that the financial statements are prepared in conformity with GAAP.

Management Response

It is cost prohibitive for the Authority to employ or hire third party assistance to prepare the financial reports and footnotes in accordance with GAAP and we do not believe that it is a prudent use of our resources.